

April 30, 2012

Natural Gas Trends**Highlights****FERC: STATE OF THE MARKET'S REPORT**

On April 19, 2012, the Federal Energy Regulatory Commission's (FERC's) Office of Enforcement presented to the Commissioners its **2011 State of the Markets Report**, including in part:

- The most recent NYMEX forward curve for natural gas shows that the market anticipates Henry Hub prices will stay below \$4 per million British thermal units (MMBtu) through 2014.
- Regional price differences for natural gas are shrinking as new pipeline construction links supply sources to markets.
- Seasonal price differences are declining due, in part, to increased natural gas production and storage capacity.
- The rapid increase in natural gas liquids production outstripped liquids processing and takeaway capacity in many regions, resulting in development and production bottlenecks, for both natural gas and natural gas liquids.
- There are many shale gas wells that have been drilled, but not completed, because producers are waiting for higher prices.
- Hydro-electric power generation displaced natural gas – fired generation in much of the western U.S. For example, California burned 23% less natural gas in power plants than the 5-year average, while Washington burned 43% less.
- Affiliates of Cheniere Energy, Inc. recently received approvals from the FERC and the U.S. Department of Energy to move forward on plans to export natural gas worldwide. About 90% of the company's planned exports are under contract to buyers in Korea, India, and Spain. Such buyers are willing to pay a price premium for the security and diversity of the U.S. natural gas market.

Source: www.ferc.gov**Data**

- June Natural Gas Futures Contract (as of April 27), NYMEX at Henry Hub closed at \$2.186 per million British thermal units (MMBtu)
- June Light, Sweet Crude Oil Futures Contract (as of April 27), NYMEX at Cushing closed at \$104.93 per U.S. oil barrel (Bbl.) or approximately \$16.71 per MMBtu

Last week: Texas HDD lower than norm, U.S. higher

For the week beginning 4/22/12 and ending 4/28/12, heating degree days (HDD) were lower than normal for Texas and higher than normal for the U.S. For the heating season (7/1/11 to 6/30/12), cumulative heating degree days were 22% below normal for Texas and 17% below normal for the U.S.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 4/28/2012	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	9	-43	3463	-18%
Austin	0	-7	1460	-12%
DFW	1	-9	1772	-25%
El Paso	0	-14	2265	-11%
Houston	0	-7	951	-38%
SAT	0	-7	1123	-29%
Texas**	6	-3	1552	-22%
U.S.**	71	7	3584	-17%

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDD are calculated.
 ** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. natural gas storage at 2,548 Bcf

For the week ending 4/20/12, U.S. working gas in storage rose from 2,501 to 2,548 Bcf, compared to 1,676 Bcf in storage a year ago and compared to an average of 1,640 Bcf in storage during the 5-year period from 2007 to 2011. Working gas in storage in the producing region (which includes Texas) rose from 1,040 to 1,041 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE				
Region	Week ending 4/20/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,145	1,103	42	+ 64.7%
West	362	358	4	+ 42.0%
Producing	1,041	1,040	1	+ 50.7%
Lower 48 Total	2,548	2,501	47	+ 55.4%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count down 18 to 613

The gas rig count for the U.S. was down 18 when compared to the prior week and down 269 when compared to 12 months ago. The U.S. total rig count was down 27 when compared to the prior week, and up 127 when compared to 12 months ago.

Source: Baker Hughes

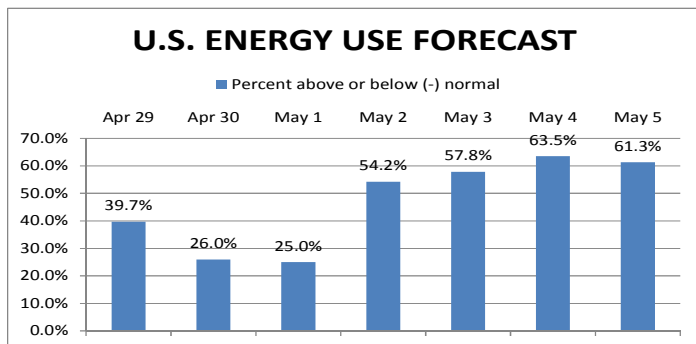
BAKER HUGHES ROTARY RIG COUNT				
	As of 4/27/12	+/- prior week	Year ago	+/- year ago
Texas	925	-4	804	+121
U.S. gas	613	-18	882	-269
U.S. oil	1328	-9	926	+402
U.S. total	1945	-27	1818	+127
Canada	134	-39	133	+1

Numbers are excerpted and not meant to be totaled

This week: U.S. energy use much higher than normal

U.S. energy use is forecasted to be higher than normal this week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

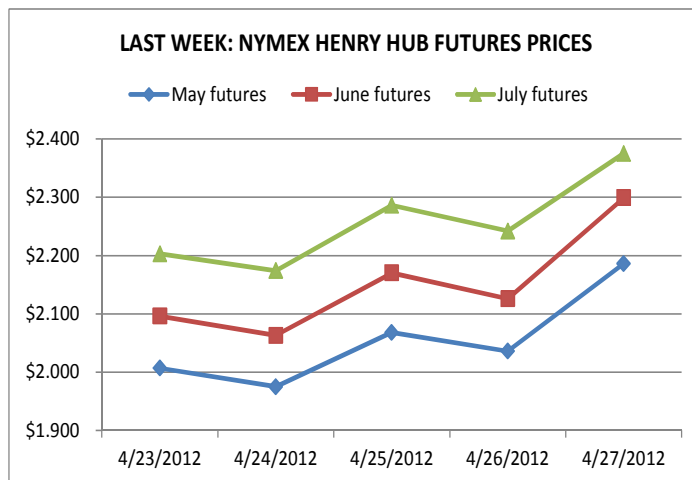
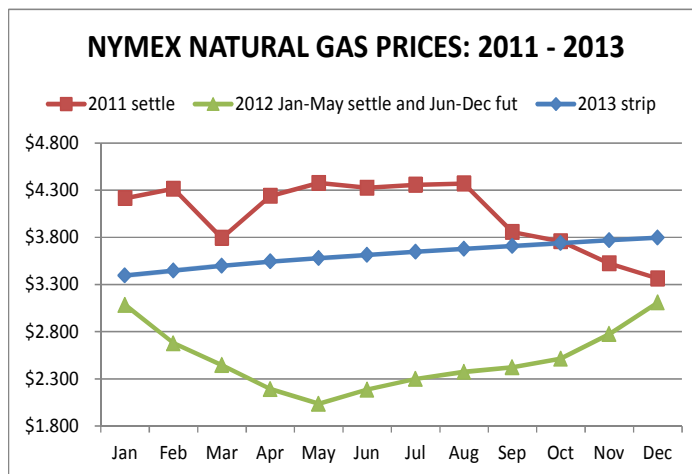
Source: Dominion Energy Index



NATURAL GAS PRICE SUMMARY AS OF 4/27/2012

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US June futures				
NYMEX	\$2.186	\$0.259	-\$2.140	\$2.836

Strip prices. Natural gas strip prices for 2013, shown below in blue, are the average of daily settlement prices for the next twelve months of natural gas futures contracts.



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